

*Proposition 1B: Goods Movement Emissions Reduction Program*

*Local Agency Project Application*

***Application #4 for the Los Angeles / Inland Empire Trade Corridor  
Source Category: Transportation Refrigeration Units (TRUs)***

*August 6, 2015*

*Submitted by:*

*(Existing Local Agency)  
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*Submitted to:  
Goods Movement Emission Reduction Program  
Stationary Source Division  
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## 1. General Information

The South Coast Air Quality Management District (SCAQMD) has been a world leader in administering and implementing incentive programs to reduce mobile source air pollution, across a wide array of vehicle and equipment types that include heavy-duty trucks, marine vessels (including ships at berth), locomotives, construction equipment, forklifts, transit buses, and school buses. Since 2008, SCAQMD has been implementing the Proposition 1B – Goods Movement Emission Reduction Program (Prop. 1B Program) in the South Coast Air Basin (SCAB).

Below is a summary of SCAQMD's experience with the Prop. 1B Program:

**Table 1: SCAQMD's Proposition 1B Projects in Year 1 (FY2007-08)**

Project Category	Number of Projects	Total Funds Obligated	Emission Reductions	
			PM (lbs)	NOx (lbs)
Heavy-Duty Trucks	2,483	121,828,000	1,245,580	26,790,265
Locomotive	4	3,000,000	27,547	1,180,098

**Table 2: SCAQMD's Proposition 1B Projects in Year 2 (FY2008-09)**

Project Category	Number of Projects	Total Funds Obligated	Emission Reductions	
			PM (lbs)	NOx (lbs)
Heavy-Duty Trucks	1,896	83,411,700	513,966	14,022,677
Truck Stop/Distribution Center Electrification	1	90,000	7,090	206,822
Locomotive	6	4,500,000	29,010	314,784
Ship at Berth	25	56,933,870	372,777	21,840,746

**Table 3: SCAQMD's Proposition 1B Project in Year 3 (FY2011-12)**

Project Category	Number of Projects	Total Funds Obligated	Emission Reductions	
			PM (lbs)	NOx (lbs)
Heavy-Duty Trucks	104	3,115,000	1,093	973,253

**Table 4: SCAQMD's Proposition 1B Project in Year 4 (FY2012-13)<sup>1</sup>**

Project Category	Number of Projects	Total Funds Obligated	Emission Reductions	
			PM (lbs)	NOx (lbs)
Heavy-Duty Trucks	2,193	90,903,250	112,495	9,929,011

<sup>1</sup> Payments in process for the "Year 4" projects. All equipment must be in operation by 12/31/2015 with funds liquidated by 3/31/2016.

SCAQMD has executed hundreds of contracts with equipment owners amounting to over \$385 million in program funding. SCAQMD has funded the retrofit and replacement of thousands of older, high-polluting, heavy-duty diesel trucks involved in freight transport activities resulting in significant air quality and public health benefits to the region. SCAQMD has also served as the lead agency in administering the Program for projects in other source categories, including locomotives and ships at berth, for the LA/Inland Empire trade corridor. For these projects, the new trucks will be in place for at least five years while the ships at berth, locomotive and truck stop electrification infrastructure projects will be in place for at least 10 years, providing long-term emission reductions in the region.

## **2. Project Proposal**

### **a. Trade Corridor Targeted, Air Quality Problems, and Key Contributing Pollutants**

SCAQMD's proposal will reduce emissions from transportation refrigeration units that are operated in the Los Angeles/Inland Empire trade corridor and other areas of California. TRUs are defined by the California Air Resources Board (ARB) as diesel-powered refrigeration units installed on insulated cargo vans, rail cars and shipping containers used in transporting fresh produce, meat, dairy products, beverages, film, prescription drugs, and other temperature sensitive goods.

The South Coast Air Basin (SCAB), which includes the two largest ports in the western United States, serves as a gateway for the nation's goods movement traffic with Asia. Local residents are disproportionately impacted by the diesel air pollution resulting from the freight movement activities. The LA/Inland Empire trade corridor includes the Port of Los Angeles (POLA) and Port of Long Beach (POLB) as well as the Port of Hueneme (POH). More than 40% of the nation's seaborne container trade moves through POLA and POLB, which together form the single largest fixed source of air pollution in the SCAB. ARB estimates that about 49,100 TRUs are operating in California on any given day (ARB's Technology Assessment: Transport Refrigerators, August 2015). TRUs and other diesel-powered goods movement sources are collectively responsible for the majority of smog and particulate-forming nitrogen oxide emissions in the region. Furthermore, the goods movement-related particulate matter emissions are a leading airborne cancer risk to residents of the region.

The eastern half of this region supports the massive warehousing and distribution centers needed to manage and organize the freight flowing from the ports to destinations throughout the country. The trucks, TRUs, locomotives, and other goods movement equipment are significant emission sources in the LA/Inland Empire trade corridor. The general onshore flow of air sends much of the air pollution eastward, where it is trapped by the San Gabriel and San Bernardino mountains and exposed to abundant sunlight which triggers photochemical reactions that produce

ozone and the majority of particulate matter. In SCAQMD's annual historical air quality data, portions of the Inland Empire experience the worst air quality in the region and the nation for both ozone and PM10.

Diesel-powered TRUs represent a significant source of diesel particulate matter (PM) and nitrogen oxide (NOx) emissions in the SCAB, particularly when these TRUs congregate at distribution centers and loading points throughout the region. Diesel PM has been identified as a toxic air contaminant based on its potential to cause cancer, premature death, and other health problems. The MATES IV report (SCAQMD Multiple Air Toxics Exposure Study, 2015) found that the highest concentration of diesel PM occurs around the Ports of Los Angeles and Long Beach. The report also found that the distribution of diesel particulates is aligned with the transportation corridors including freeways, major arterials and rail right-of-ways. Although the region has made great strides in reducing diesel PM compared with previous MATES studies, PM continues to dominate the overall cancer risk from air toxics, and residents surrounding the Ports of Los Angeles and Long Beach continue to experience the highest risks.

The SCAB is disproportionately exposed to air pollution as compared to the rest of the nation, with major portions of that burden imposed by freight transport activities. Based on ARB's 2013 Almanac, the SCAB receives exposure to PM2.5 concentrations well above federal health standards. Currently, about 42% of all diesel-related NOx emissions in the SCAB are from goods movement related source categories, according to SCAQMD's Preliminary Draft 2016 AQMP White Paper on Goods Movement. Thus, this trade corridor needs major reductions in goods-movement-related emissions to significantly reduce unhealthful emissions.

b. Identification of Funding Category

This application is specific to the source category of "Transport Refrigeration Units (TRUs)." All proposed projects in this source category will entail the replacement of diesel TRUs with eligible electric, fuel cell, or cryogenic TRU options, as allowed by the Guidelines. This application will also support TRU electrification or cryogenic infrastructure and equipment for eligible projects at locations with existing freight facilities or places where trucks and trailers equipped with TRUs congregate.

Further descriptions of our proposed projects within this source category are provided in the subsections that follow. Cost details of our proposed projects are provided in the Funding Demonstration section.

c. Air Quality Problems and Key Contributing Pollutants in the Trade Corridor

(Please see our detailed description in Section 2a above.)

d. Consistency with Local and Regional Plans

This proposal is consistent with local and state-wide plans to reduce emissions from goods movement activities. A common denominator for these plans is the pressing need to accelerate the deployment of advanced zero emission technologies and supporting infrastructure. The availability of Proposition 1B funds is critical to expedite this process. Our application to fund the replacement of TRUs utilizing zero-emission technologies and infrastructure is consistent with the local and regional plans described below.

These inter-related plans include the following:

SCAQMD's 2016 Air Quality Management Plan (AQMP) Preliminary Draft White Paper for Off- Road Equipment -This document refers to ARB's Airborne Toxic Control Measure (ATCM) for diesel-fueled TRU and TRU generator sets which established in-use performance standards that would be phased in commencing on December 31, 2008. Implementation of the TRU ATCM began in 2009. The mandatory turnover schedule ends in 2019, seven years after 2012, which is the last year that non-Tier 4 TRU engines were manufactured. By 2020, essentially all TRUs that operate in California will be Tier 4 compliant. The SCAQMD White Paper estimates that, even if all the TRUs in the region are assumed to have at the greatest level of control based on the current emission standards, the region will only be able to reduce TRU NOx emissions from 5.07 to 4.01 by 2023 (the next attainment year target). There is a need to incentivize TRU projects that deploy zero-emission technologies in order to achieve further reductions. The 2016 AQMP recognizes the urgent need to accelerate deployment of commercially available zero-emission equipment. Therefore, this Prop. 1B TRU proposal is fully consistent with, and an integral part of, the 2016 AQMP planning process to obtain necessary emission reductions from goods movement operations in the region.

ARB's 2015 Sustainable Freight: Pathways to Zero and Near-Zero Emissions Discussion Document – This document was prepared by the ARB as an initial effort to develop a comprehensive, integrated sustainable freight plan, in partnership with other State and local agencies. The ARB considers the development of this plan a high priority to address localized health impacts, attainment of air quality standards, and achieving climate goals. The document identifies multiple recommendations and approaches to reduce PM and NOx emissions from freight transport-related diesel activity, including TRUs. The ARB TRU strategy proposes introducing a regulatory requirement to prohibit the use of fossil-fueled TRUs for cold storage in phases, with incentive support for infrastructure.

The ARB's recommendations all focus on the introduction of non-fossil fueled zero and near-zero emission technologies into the marketplace, which will be supported by SCAQMD's implementation of this Prop 1B TRU proposal.

California Air Resource Board Technology Assessment: Transport Refrigerators (August 2015) – This assessment is to evaluate the current state and projected development of mobile source technologies and fuels. This assessment focuses on conventional and advanced technologies applicable to transport refrigeration systems, including all-electric battery TRUs and cryogenic refrigeration systems. These technologies are needed to support ARB's long-term objective of transforming transport refrigeration equipment into zero and near-zero emission technologies to meet air quality and climate change goals. SCAQMD's Prop. 1B TRU proposal will support ARB's objective of implementing the zero emission TRU recommendations.

- e. Other Related Information Requested by ARB Staff

(At this time, SCAQMD has no information for this section.)

### 3. Provisions to Customize Proposal

SCAQMD has no plans to customize this proposal by incorporating any of the approved Program options described in Chapter III.C of the guidelines, except as noted below.

**Important note:** This application attempts to best identify all known project factors, including any “alternatives” defined by ARB. However, it is not possible at this time to predict or detail all factors that may affect deployment of projects that will be cost shared with Prop 1B funds.

- a. Technology Alternatives

The guidelines indicate that local agencies can “customize” a source-category specific proposal by incorporating a variety of technology alternatives. SCAQMD is not proposing to customize any of the technology options specified in Appendix C and E of the most recent 2015 Program Guidelines. SCAQMD proposes to allow funding for any project type or technology option that meets the eligibility requirements of the guidelines.

Pursuant to the Guidelines, replacement of diesel TRUs may entail diesel-to-electric, diesel-to-fuel cell, or diesel-to-cryogenic approaches at existing freight facilities or places where TRUs congregate. This proposal will also support TRU electric charging infrastructure including the installation of at

least 10 power plugs that are compatible with electric, hybrid or electric-standby equipment. The proposal will also fund cryogenic TRU fueling stations at freight facilities. SCAQMD intends to follow the ARB's prioritization guideline in making project awards. Year 5 priorities include upgrading TRUs to zero-emission equipment. Given the focus on next-generation zero emission TRU and infrastructure efforts, SCAQMD currently does not anticipate the need to use any "technology alternatives."

b. Project Implementation Approaches and Use of Contractors

SCAQMD will serve as the lead recipient local agency and shall retain full responsibility for the program requirements and deadlines specified in the Guidelines and executed grant agreements with ARB. SCAQMD will solicit project proposals from fleet owners with diesel TRUs meeting the eligibility requirements in the Guidelines. The SCAQMD will place specific emphasis on fleets interested in advanced technology and supporting electrification or cryogenic infrastructure projects at eligible project sites in the LA/Inland Empire trade corridor and throughout California. SCAQMD will evaluate each application for eligibility, and then competitively rank each project proposal in accordance with the Guidelines to determine which equipment projects will be funded. Program funds will not be committed prior to the competitive ranking process.

SCAQMD may utilize contractors to assist in evaluating technologies and proposals. Additionally, any contractors will be screened to ensure there is no conflict of interest. When a contractor is utilized for the evaluation process, final determinations of the awardees will be conducted by SCAQMD.

c. Procedure / Process Alternatives

At this time, SCAQMD does not propose any project alternatives involving alternative procedures or processes.

d. Geographic Operations

Eligible projects evaluated by SCAQMD will not be limited to the LA/Inland Empire trade corridor but will be required to meet all eligibility requirements in the Program Guidelines.

## 4. Funding Demonstration Elements

This section documents that 1) SCAQMD has the fiscal ability to implement the proposed projects; and 2) all non-Program match funds will be reasonably available within the timeframes of the proposed project schedule.



SCAQMD will be the lead local agency for this application. Below is an overview of SCAQMD's financial structure.

The latest budget adopted by SCAQMD's Governing Board is for FY 2014 – 2015. The FY 2014-15 Budget & Work Program categorizes expenditures into nine work program categories. These categories include: Advance Clean Air Technology; Ensure Compliance with Clean Air Rules; Customer Service and Business Assistance; Develop Programs to Achieve Clean Air; Develop Rules to Achieve Clean Air; Monitoring Air Quality; Timely Review of Permits; and Policy Support. Each activity performed by the SCAQMD falls into one of the above categories. The budget for each program category ties the goals and objectives of the agency to each of its program activities, identifying resources, performance measures/outputs and legal mandates. A complete description of each work program can be found in the Work Program section of the FY 2014-15 Budget & Work Program. The following table identifies the expenditures by category for FY 2014-15.

**Table 6: SCAQMD's FY2014-15 Budget by Funding Category**

<b>PROGRAM CATEGORIES</b>	<b>FY 2014-15 Budget (\$)</b>
ADVANCE CLEAN AIR TECHNOLOGY	\$ 5,943,279
ENSURE COMPLIANCE WITH CLEAN AIR RULES	40,595,094
CUSTOMER SERVICE AND BUSINESS ASSISTANCE	11,257,410
DEVELOP PROGRAMS TO ACHIEVE CLEAN AIR	9,001,281
DEVELOP RULES TO ACHIEVE CLEAN AIR	6,937,646
MONITORING AIR QUALITY	10,159,755
OPERATIONAL SUPPORT	24,127,044
PERMIT REVIEW	20,331,852
POLICY SUPPORT	3,866,713
<b>TOTAL</b>	<b>\$ 132,220,074</b>

More detailed budget information, including the most recent fiscal audit reports, can be found at: <http://www.aqmd.gov/home/about/finance>

a. Program Funds Requested

As shown in the table below, the total amount of Program funds requested for projects in the TRU category is \$5,250,000. This is based on the expected demand for funding in this category and the estimated per unit cost of new equipment:

**Table 7: Program Funds Requested by TRU Project Category**

<b>Project Option</b>	<b>No. of Projects<sup>2</sup></b>	<b>Estimated Per Unit Project Cost</b>	<b>Prop. 1B Funding Level</b>	<b>Total Program Funds Requested</b>
Transportation Refrigeration Units	105	\$100,000	\$50,000 -\$100,000	TBD

<sup>2</sup> The number of projects assigned to each project option within the funding category may change at the time of ranking approval.

Electric/Cryogenic Infrastructure and Equipment	10	\$60,000-\$200,000	\$30,000-\$100,000	TBD
<b>Total</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>\$5,250,000*</b>

\*Includes 5% of administration funds

Pursuant to Chapter IV, Subsection (B) of the Guidelines, SCAQMD is required to expend the funds to equipment owners within 18 months after contract execution. Payment will be made once certification/verification is documented and the project passes a post-inspection by SCAQMD. The expenditure period will not exceed the statutory liquidation deadline. More detailed information regarding scheduling can be found in Section 7, below.

As the lead applicant and local agency, SCAQMD seeks 5% of the total project funds for administration fees, per allowances in the Guidelines. SCAQMD shall follow all Guidelines regarding the use of administration funds, as specified by ARB in Chapter II, Subsection (F)(2)(a).

Pursuant to the Guidelines, SCAQMD is capping its request for administration funds at 5% for TRU projects. SCAQMD will use the administration funds for tasks associated with Program outreach/marketing, implementation, project monitoring, audit and oversight, including: staff time; consultant fees; printing, mailing, and travel costs; project monitoring and compliance expenses; and indirect costs, such as general administrative services, office space, and telephone services.

**NOTE:** SCAQMD acknowledges that there may be insufficient funds in the statewide system to cover all TRU projects requested under this application. We further acknowledge that ARB staff may pro-rate our proposed project at a lower level of funding and proportionally lower the number of projects that can be funded. Upon notification from ARB about the amount of available funding for this source category, we will prioritize awards using the competitive ranking process identified by ARB in the Program Guidelines.

b. Match Funding Requirements

It is anticipated that all matching funds under this particular application will be provided by the private parties that are purchasing the new equipment and, if co-funding is involved, through other grant funds. SCAQMD is not currently planning to apply additional incentive or matching funds to these Prop 1B projects.

## 5. Air Quality Benefits

As noted, SCAQMD is proposing the replacement of diesel TRUs, with electric, fuel cell and cryogenic options, plus supporting infrastructure. Per the Guidelines, SCAQMD has used the Goods Movement Online Database (GMOD) provided by ARB to quantify the total emission reductions and cost-effectiveness of projects proposed in this application. The total emission reductions were based on average funding per project from all four project options and assuming equal participation from all three horsepower tiers.

Table 8 provides a summary from the Project Benefits Calculator (from GMOD) showing the overall emissions benefits and cost effectiveness for all 115 TRU replacement projects proposed under this application.

**Table 8: Estimated Emissions Benefits and Cost Effectiveness<sup>3</sup>**

Estimated PM Reductions	11,500
Estimated NOx Reductions	372,000
Sum of Weighted Emissions Reductions	602,000
Total Program Bond Funding Request	5,250,000
Benefits per State Dollar Invested	0.11 lbs/\$

## 6. Staff Resources

SCAQMD has sufficient staff resources to successfully implement this local agency project proposal. This section affirmatively demonstrates that SCAQMD has the necessary resources in place to meet the demands of the project type and scope.

Over the last decade SCAQMD has demonstrated the capability and expertise to successfully plan, implement and administer the Prop. 1B and other similar incentive-based programs. ARB staff members are very familiar with our collective accomplishments in these areas, an overview of which we have provided below.

NOTE: At ARB's request, we can provide documentation statistics regarding the relationship between the number of pieces of equipment that can be replaced or upgraded in a given timeframe, and the number of program staff needed to accomplish those projects.

### a. Overview of Prior Incentive Program Experience for the Proposed Team

SCAQMD has successfully been administering incentive programs to reduce emissions from diesel source categories for more than a decade. This resume of experience includes a wide array of replacement, repower and retrofit efforts across multiple programs, including those that specifically on-road and off-road diesel engine applications. SCAQMD has established a very strong track record administering Proposition 1B Goods Movement Emission Reduction programs in the LA / Inland Empire Trade

<sup>3</sup> Estimated emissions benefits are as calculated by ARB's GMOD.

Corridor and throughout California, culminating with deployment of thousands of lower-emitting heavy-duty vehicles and equipment. In the first 4 years of the Program, SCAQMD executed contracts for over 6,600 heavy-duty diesel truck projects, in addition to other diesel equipment projects.

SCAQMD has served as a successful partner with ARB and other participating entities by acting as the lead agency for soliciting, evaluating, contracting, and deploying thousands of equipment projects under the Prop. 1B Program. Over the last several years, SCAQMD staff has experience working with ARB on a range of issues related to Proposition 1B funding for heavy-duty diesel trucks, truck electrification infrastructure, shore power, and locomotive projects.

b. Total Staff Positions and Resources

Details about currently available resources from SCAQMD are provided below. As SCAQMD is already implementing major incentive efforts, it is not currently anticipated that additional staff or new consultant resources will need to be added.

**Table 9: Summary SCAQMD Staff / Consultant Resources for Project Implementation**

<b>Staff Classification / Job Description</b>	<b># Currently Available for Proposed Project Source Category<sup>4</sup></b>
Program Staff (Marketing, Outreach, Grants, Contracts, Inspections, Audits, etc.)	8
Managerial / Supervisory Staff (all source categories)	7
Administrative Support Staff (all source categories)	3
Fiscal / Accounting (all source categories)	2
Contractors / Consultants (individuals from multiple sources)	10
<b>Grand Total</b>	<b>30</b>

## 7. Project Schedule

A detailed project schedule is provided in Table 9 below, which lists the anticipated date to accomplish each of the milestones identified in the Guidelines. This incorporates our obligation and liquidation deadlines as identified in Chapter IV, Subsection (B) of the Guidelines.

**Table 10: Project Schedule: Anticipated Dates of Events and Milestones**

<b>Project Event / Milestone</b>	<b>Date</b>
(1) Date of community meeting / participation event (see Chapter III.D)	July 22, 2015
(2) Equipment project solicitation period, including marketing/outreach	September- November 2015
(3) Equipment project application review period	November 2015- February, 2016

<sup>4</sup> These numbers are best estimates at the time of the application.

(4) Competitive ranking of equipment projects and web posting	March 2016
(5) Selection of equipment projects from the competitively ranked list	March 2016
(6) Anticipated date of next grant disbursement request to ARB and amount	TBD
(7) Equipment owner notification period	March 2016
(8) Equipment pre-inspection period (as applicable)	Beginning March 2016
(9) Local agency obligation deadline (all contracts must be signed)	Within 2 years after the date of an executed grant agreement from ARB
(10) Equipment post-inspection period	Prior to final payment of the Program funds
(11) Local agency liquidation deadline (all equipment funds must be liquidated)	Within 18 months after contract execution
(12) Anticipated submittal of local agency project completion report	TBD

## 8. Certification to Comply with Program Requirements

SCAQMD certifies that it has the ability and intent to fully and effectively satisfy each of the proposed requirements for local agency project implementation. Below is a detailed summary of how SCAQMD will structure this program to meet each requirement listed in the 2015 Guidelines.

### a. Support Community and Public Participation

SCAQMD's Year 5 TRU category outreach will build on our previous, extensive outreach in the heavy-duty diesel truck and TRU sectors. We maintain productive working relationships and contact lists of fleets, dealers, manufacturers and trucking associations that service the SCAQMD region, many of which support trucks, trailers and railcars with TRUs. We have built these long-term relationships through current incentive efforts, such as the Carl Moyer Voucher Incentive Program, and due to previous incentive programs, such as the Proposition 1B (Years 1-4), Carl Moyer, and collaboration with the San Pedro Bay Ports' Clean Truck Program.

In general, SCAQMD utilizes an extensive internal community relations system to generate community participation in various incentive programs. To augment our extensive internal capabilities from our Public Affairs Department and our Technology Advancement Office, SCAQMD utilizes a team of proven and highly skilled third-party consultants. For more than a decade, SCAQMD has regularly prepared and released solicitations targeted to fleets, including TRU operators, under the Carl Moyer Program. We are skilled at ensuring fully open solicitations as required under the Guidelines and intend to use similar mailing, email blast, press, online, phone, and in-person resources and approaches to conduct outreach for the proposed Year 5 Proposition 1B program. SCAQMD will

also utilize the TRU operators list generated by ARB's Equipment Registration (ARBER) for targeted outreach efforts.

SCAQMD's internal outreach / PR teams have decades of collective experience assisting with implementation incentive programs. SCAQMD's system is geared to support participation from large and small fleets, including translation assistance as needed. Our team has many years of directly relevant experience working with fleets of all sizes through previous Proposition 1B and Carl Moyer fleet modernization efforts. SCAQMD maintains an up-to-date webpage for each incentive program, including Proposition 1B, which is linked to ARB's Proposition 1B Program page. The SCAQMD webpage includes all agency contact information, solicitation, workshop, and competitive ranking information.

In addition, our consultants administered the Gateway Cities Fleet Modernization Program as well as the landmark POLA / POLB Clean Trucks Program, which included cost sharing through Proposition 1B. These consultants have provided direct outreach about grant programs to thousands large and small fleets for over ten years, and have contacts at many of the nation's largest clean and AFV-powered fleets to provide grant and technology implementation services.

SCAQMD has already taken the first step in its outreach program under this round of the proposed Proposition 1B program: on July 22, 2015, SCAQMD held a local agency pre-application community meeting at the SCAQMD main office in Diamond Bar, California. In order to advertise this meeting, SCAQMD posted a notice on SCAQMD's Prop. 1B Program webpage and emailed the notice to truck dealers and manufacturers, TRU dealers and manufacturers, representatives at the ports as well as locomotive authorities. A copy of the SCAQMD pre-application meeting notice is attached (see Attachment 1). The purpose of this meeting was to solicit public comments on potential funding categories for the current application to ARB under the Year 5 Proposition 1B program. It was well-attended by 21 qualified stakeholders, including dealers, truck owner/operators, Port consultants and technology providers (see Attachment 2). Comments during the meeting indicated that the attendees are highly interested in program participation, and that their primary concerns surround eligibility and the operational applicability of the advanced truck technologies eligible under this program. SCAQMD's marketing plan for the Year 5 Program will ensure that potential applicants are aware of eligibility requirements, technology options, and the timeline flexibility surrounding advanced technology project options.

b. Conduct Marketing and Solicit Equipment Project Applications

SCAQMD's will initiate its direct outreach by requesting fleet and TRU operator contact information in TRUCRS, DTR, and TRU databases from ARB to identify potentially eligible fleets. SCAQMD will also review its own

previous Prop 1B, VIP and Carl Moyer Program applicant lists to gather fleet contact information. In addition, SCAQMD will conduct outreach to our existing lists of interested parties, including long-term working relationships with leading fleets that may be interested in the zero-emission TRU project options under Prop 1B. Marketing will also leverage stakeholder partnerships with dealerships, associations, and other agencies throughout the region to help disseminate information. Outreach targets will include fleets with TRUs, fleets with zero and near-zero emission project capacity and interest, and outreach to businesses that may be interested in infrastructure for charging/refueling zero-emission TRUs.

Outreach channels will include a mailing campaign, website updates, and newspaper announcements. Marketing will also leverage stakeholder partnerships with dealerships, associations, and other agencies that service the region to help disseminate information through their own websites, email, and other communications channels. SCAQMD will hold outreach events and application assistance workshops to assist fleet owners and operators throughout the solicitation period. SCAQMD will also hold dealer workshops to assist dealers with a more comprehensive understanding of the program, including guideline updates and funding options for their customers. ARB will also be holding events throughout the state, including at least one event in the SCAB, and SCAQMD will work in coordination with ARB to support those events.

SCAQMD anticipates releasing the solicitation for TRU projects in September 2015, distributing clear application submittal forms and guidance using the mechanisms identified above, and providing translation support as-needed.

c. Review and Competitively Rank Project Applications (Including Web Posting)

This function will be handled by SCAQMD's internal incentive programs staff in consultation with the participating entities, with assistance as needed from our consultants. Collectively, we have reviewed, ranked and selected thousands of projects across a wide array of source categories, including those involving heavy-duty diesel trucks and TRU projects. All procedures and guidelines for the Program will be rigorously followed.

d. Select Equipment Project for Funding, Including Local Approval Process

Equipment and infrastructure projects will be selected based on all Guidelines and requirements, after all applications are thoroughly reviewed by SCAQMD and the participating entities. SCAQMD will prioritize awards using the competitive ranking process identified by ARB in the Program Guidelines. Eligible projects will be competitively ranked, as required by ARB. Funding priorities will be based on Chapter II,

Subsection (B)(6) of the Guideline. SCAQMD staff plans to complete the evaluation of applications and recommend awards for approval by the SCAQMD Governing Board in March 2016. This schedule is subject to change depending upon the number of applications received.

e. Conduct Equipment Project Pre-Inspections and Compliance Checks

SCAQMD staff will arrange and conduct equipment pre-inspections, similar to how we conduct inspections under the current Proposition 1B Program. SCAQMD staff will also work closely with ARB to complete the required compliance check process. All staff to be involved have prior experience through Prop. 1B and other incentive programs. Further, all procedures and guidelines for the Program will be rigorously followed.

f. Notify Equipment Owners of their Application Status

SCAQMD will utilize similar existing procedures currently under the Prop. 1B Program to ensure that equipment owners are notified in a timely and effective manner about all requirements, deadlines, reporting obligations, etc.

g. Execute Equipment Project Contracts

Drawing on past similar experience with Proposition 1B-funded projects, SCAQMD will use existing policies and procedures to ensure that equipment project contracts are executed as expeditiously as possible in accordance with all Guidelines.

h. Ensure Equipment Project Scrappage

For more than a decade under various air quality programs, SCAQMD has been working with licensed dismantler facilities throughout the SCAB to scrap replaced vehicles and diesel equipment. For example, under the Carl Moyer Voucher Incentive Program (VIP) and the Prop. 1B Program, we follow all applicable guidelines for equipment scrappage using a list of SCAQMD approved licensed dismantler facilities. SCAQMD staff has extensive experience reviewing inspection reports, photographs and other documentation to verify each TRU was destroyed in accordance with the program requirements. SCAQMD will utilize these existing procedures and relationships with dismantling facilities to set up an efficient, effective scrappage system under our proposed Proposition 1B Program.

i. Conduct Post-Inspections of New or Upgraded Equipment

This process will be part of the ongoing activities of SCAQMD staff assigned to conduct inspections under the Prop. 1B Program. SCAQMD has dedicated inspectors that are trained and well-experienced in



conducting the post-inspections for the Prop. 1B Program. All procedures and guidelines for the Program will be rigorously followed.

j. Request Disbursements from ARB

SCAQMD has extensive experience working with ARB to request funds under the Prop. 1B Program, Carl Moyer Program, and other incentive programs. Our team will work closely with ARB staff to ensure that requests for Proposition 1B funds are provided in a timely manner that complies with all ARB's needs and requirements.

k. Process Invoices and Requests from Equipment Owners for Payment (Including Direct Payments to Vendors)

SCAQMD has extensive experience in this area through more than a decade of running the Carl Moyer Program and more recently the Proposition 1B Program. For example, the SCAQMD processed thousands of invoices for heavy-duty diesel truck projects funded by the Prop. 1B Program, which consisted primarily of direct payments to vendors through established mechanisms to pay invoices after the transaction is fully executed, or we can issue two-party checks in the name of each grantee and his/her selected dealership selling the replacement truck. Within the guidelines and constraints set up by ARB, we will continue to build on this prior experience to successfully administer new rounds of Proposition 1B funds for TRU projects.

l. Calculate and Report Earned Interest

SCAQMD's Treasurer, the Los Angeles County Auditor/Controller, calculates interest based on average daily cash balances. SCAQMD tracks the interest earned for specific grant programs based on the monthly interest statements we receive from Los Angeles County. Calculation and reporting of Proposition 1B Funding interest earned will be consistent with how interest is calculated for other restricted grant programs. If any special requirements or procedures exist, SCAQMD will work with the appropriate State officials to incorporate them.

m. Evaluate Equipment Projects / Assess On-Going Compliance with Contract Conditions

SCAQMD and our consultants have extensive experience in evaluating equipment project applications. SCAQMD has received thousands of applications through past solicitations which have provided SCAQMD and our consultants with a significant level of experience in evaluating projects and determining eligibility for program funding. Based on our extensive experience in project evaluations, SCAQMD informed ARB of recommendations for streamlining and many of these recommendations were approved by ARB in the latest update to the guidelines.

SCAQMD has executed hundreds of contracts with equipment owners under the Prop. 1B Program and is experienced in dealing with “non-performance” issues. Our staff members are very adept at working with grant recipients to solve problems while ensuring that emissions reductions from individual projects are maximized. In extreme cases involving non-performance when problems cannot be solved by working directly with grant recipients, SCAQMD will not hesitate to initiate legal action and / or seek reimbursement of funds. SCAQMD aims to find a proper balance between protecting program assets, ensuring air quality benefits, and resolving participant problems, all within the confines of the Prop. 1B Program.

n. Provide Required Reports to ARB

SCAQMD has extensive experience providing reports to ARB and other agencies about heavy-duty vehicle and equipment incentive programs. SCAQMD will utilize existing reporting procedures and methods as the basis to meet the specific reporting requirements of the Proposition 1B program for TRUs.

o. Participate in Program and Fiscal Audits and Evaluations

SCAQMD staff members are fully prepared to participate in Prop 1B program and fiscal audits as evidenced by ARB’s most recent audit of SCAQMD in August 2010, which included a review of the Prop 1B Program. ARB audited SCAQMD’s Proposition 1B, Carl Moyer, and Lower-Emission School Bus Programs for Fiscal Years 2005-06 through 2008-09.

The 2010 audit was very comprehensive and included both financial and project implementation aspects of SCAQMD’s programs. Several facilities were visited and many vehicles were inspected. As noted in ARB’s report the SCAQMD’s programs are the largest in the State, implementing over \$416 million in State grants and District-provided matching funds through the replacement and/or retrofit of over 9,000 vehicles and equipment during the subject period, including:

- Over 390 new natural gas school buses;
- 1,000 retrofits of school bus engines;
- Over 2,600 on- and off-road engine and vehicle replacements under the Carl Moyer Program; and
- Over 2,700 truck replacements and 60 engine retrofits under the Proposition 1B-Goods Movement Program.

Due to the SCAMD’s robust efforts in implementing these projects, the District’s incentive programs have achieved early and surplus reductions

of ozone precursors and toxic emissions, as confirmed by ARB in its review report.

ARB also recognized SCAQMD's highly successful implementation of its Proposition 1B-Goods Movement Program "Early Grant" projects, and SCAQMD appreciates ARB's determination that SCAQMD's efforts have been "commendable," defined as "an exceptional practice that goes beyond the basic requirements for implementing an incentive program.

The most recent audit experience demonstrates that SCAQMD has the capability to efficiently and effectively participate in future audits under the Prop 1B Program.

## **9. Resolution of the SCAQMD Governing Board**

It is anticipated that the SCAQMD Governing Board will consider adoption of the required resolution at its November 6, 2015 meeting. At that time, SCAQMD staff anticipates that the Board will authorize SCAQMD to enter into a local agency grant agreement with ARB, accept funds, and identification of any matching funds under SCAQMD's fiduciary control as identified in our project funding demonstration. SCAQMD's fully executed Board resolution will meet all requirements stipulated in Chapter III, Subsection (E)(9) of the Guidelines. A draft resolution for ARB's review is provided as an attachment (see Attachment 3) to this application. Following SCAQMD's Governing Board approval, a copy of the final resolution will be provided to ARB.

## **10. Copy of SCAQMD's Letter of Intent**

As requested by ARB, attached to this application (see Attachment 4) is a copy of SCAQMD's Letter of Intent stating that SCAQMD wants to compete for Program funds for the Year 5 funding cycle.